

1 (Whereupon, end of in camera
2 proceedings.)

3 ADMINISTRATIVE LAW JUDGE HILLIARD: Keep
4 talking. Let's get through this.

5 BY [!EZ SPEAKER 03]:

6 Q So that would be the savings for that group
7 local Safer of package 30 with the current customer
8 basis?

9 A Yes.

10 Q And I understand for the residents Safer
11 package unlimited, the savings would be \$3.02 and
12 \$2.50 a month based on the reduction?

13 A Based on the reduction for customers that
14 currently subscribe to that.

15 Q Right.

16 A Yes.

17 Q And on the same premise for the five rate
18 package for that customer, the current customer
19 group, their savings would be between \$2.50 and
20 \$3.10?

21 A Yes, I believe so.

22 Q Now, you made clear on cross-examination

1 you still stand by your earlier direct testimony you
2 filed regarding your opinion as to competitiveness of
3 the customer usage?

4 A Yes.

5 Q Do you believe that by reducing these rates
6 it will make these services competitive?

7 A I believe that by reducing these rates,
8 they will make them more attractive to customers.

9 Q Well, that's always a nice image, but by
10 reducing these rates, will it make these services
11 more competitive?

12 A More -- they would have -- the reduction in
13 these rates would have no effect on the ability of
14 other customers to provide -- or companies to provide
15 similar packages.

16 Q You believe that these rate reductions
17 between the local Saver 30 package all the way down
18 to the flat rate package, you consider these
19 reductions to be significant, I understand, from Line
20 163?

21 A Yes.

22 Q And you believe that capping rates creates

1 more competition for residential services in MSA-1?

2 A Not necessarily. It does create benefit
3 for customers.

4 Q Are you familiar with AT&T business rates
5 currently being classified as competitive?

6 A Yes.

7 Q Are you aware of any of those rates being
8 capped by the Commission?

9 A I'm not. I haven't worked with business
10 rates yet.

11 Q Are you familiar with the alternative
12 regulation plan that AT&T Illinois is currently
13 under?

14 A Yes.

15 Q And those rates are capped under that plan?

16 A Yes. It's a flexible cap, but they are
17 capped.

18 Q And the rates that are subject to that plan
19 and that cap for all noncompetitive services?

20 A Correct.

21 Q You had mentioned also on cross-examination
22 that I believe the savings that you were rejecting

1 you had utilized for your base month, December 2005?

2 A Yes.

3 Q That data.

4 A Yes.

5 Q And you indicate you that you thought that
6 that was an average month?

7 A I have no reasonable to believe it's not an
8 average month.

9 Q Would you agree that December, the year --
10 there was an increase activities with the holidays
11 between Thanksgiving end of November and Christmas
12 end of December?

13 A There's an increase for some people. I'm
14 not sure if it includes calling or not. But
15 certainly activity generally is.

16 Q Do you consider December an average month
17 of the year and similar to all the other 11 months
18 with the given that activity?

19 A You know, I don't have any data on the
20 other months to compare it to say that it's not an
21 average month as far as people's -- individual
22 calling patters.

1 Q So you're not familiar with calling
2 patterns occurring from month to month?

3 A I'm sure they do for individuals. I'm not
4 certain on averages.

5 Q Right. Do you have knowledge, industry
6 knowledge, looking at statics data, anything like
7 that, as to what patterns like from month to month
8 across the year?

9 A No, I don't.

10 Q On Page 16 of your of testimony, same one,
11 CUB Exhibit 5.0, you make reference to the customer
12 education program at the bottom of the page.

13 A Uh-huh.

14 Q And you indicate that the first year the
15 amount of money fund becomes available for this
16 program would be one million; second year, one
17 million; third year is a half a million?

18 A Yes.

19 Q Do you know what AT&T Illinois' marketing
20 budget would be for each of those years to sell the
21 other packages that -- in MSA-1?

22 A I believe that information may have been

1 included in Mr. Wardin's testimony, but I don't have
2 that.

3 Q Do you have any idea what the ballpark
4 number is of the spending marketing programs?

5 A No.

6 Q In this same testimony on Page 2, I believe
7 you summarized the proposal.

8 A Yes.

9 Q Just to identify your position on each one
10 of these proposals, you indicate Line 27 that it will
11 limit any increases in access line charge in four
12 years. Is it your opinion that that will increase
13 competition for residential service in MSA-1.

14 A I don't have an opinion regarding its
15 effect on competition for residential services.

16 Q Would your answer be the same as to the
17 bullet item on Line 29 as to increase in usage?

18 A Yes, my answer would be the same.

19 Q And the same on Line 31, the frozen rates
20 on the three packages?

21 A Yeah. Yes.

22 Q On Line 34, you indicate an automatic ICC

1 investigation of rate increases. Do you see that?

2 A Yes.

3 Q If the services were classified as
4 competitive, what standard would the ICC use in
5 reviewing those rate increases?

6 MS. SODERNA: Can you repeat that. I'm sorry.

7 BY [!EZ SPEAKER 03]:

8 Q Sure.

9 If the services were classified as
10 competitive, what standard would the ICC use in that
11 investigation at that time?

12 A It's our understanding that under the
13 stipulation we used just and reasonable standard that
14 they currently use.

15 Q That's the standard for competitive
16 services; correct?

17 Let me rephrase it. I don't want to
18 confuse you.

19 There are seven regulations for
20 noncompetitive services such as alternative
21 regulation, rate cap, things of that nature.

22 A Uh-huh.

1 Q For competitive services, the standard is
2 simply just and reasonable; is that correct?

3 A I believe so.

4 Q So this investigation you referred to on
5 Line 34 would not be subject to the alternative
6 regulation type of review. It would be subject
7 simply to the just and reasonable standard?

8 A Yes.

9 Q So even if the Commission disagreed with
10 the rates, unless it found them to be unjust and
11 unreasonable, they could not do anything about them?

12 A They would have to find them to be unjust
13 and unreasonable.

14 MR. WARD : I have no further questions.

15 ADMINISTRATIVE LAW JUDGE HILLIARD: I have a
16 couple.

17 EXAMINATION

18 BY

19 ADMINISTRATIVE LAW JUDGE

20 HILLIARD:

21 Q Would you agree that switching to these
22 Safe Harbor plans depends to a significant extent on

1 customer knowledge and communication?

2 A It does. Customers have to be aware of
3 that to switch to them.

4 Q And at the present time, these packages
5 seem similarly underutilized. Do you know why that
6 is?

7 A They are -- it could be a number of
8 reasons. Their the prices are somewhat high now or
9 it could be that customers don't know about them.

10 Q And you think that CUB's efforts will be
11 able to overcome the overall marketing efforts of
12 AT&T for their other products?

13 A I think that we won't have to -- we won't
14 have to market directly against AT&T. We only have to
15 get our message out because our message is so
16 different from AT&T's message. So I think we will be
17 successful.

18 Q Do you anticipate media bias, television
19 radio ads?

20 A Perhaps, but we haven't made any specific
21 plans.

22 Q Would CUB have objections in principal to

1 the Commission having approval authority over the
2 names for the Safe Harbor packages?

3 A You know, we haven't discussed the names in
4 particular. If my memory reserves me correctly, this
5 stipulation says that CUB will come up names in
6 conjunction with AT&T. If my memory is serving me
7 correctly there, I don't think we have too much of an
8 objection to the ICC helping out. Although, we would
9 be concerned about the -- keeping the message clear
10 between those names and the rest of the marketing
11 campaign.

12 Q How about Commission oversight over the
13 consumer Outreach programs funded by the settlement
14 money?

15 A We do have a concern there, in that the ICC
16 is a neutral body; and as such, it has to listen to
17 all sides. And that would give AT&T a voice in that
18 consumer education campaign, which we don't think
19 it's appropriate. We think that our independence --
20 although, we welcome suggestions in an advisory
21 capacity, we think that our independence would help
22 us put on a consistent campaign with a very clear

1 message.

2 Q So you would object to oversight by the
3 Consumer Services Division?

4 A We'd be concerned about any formal sorts of
5 approvals, but. . .

6 Q I asked Mr. Wardin. Maybe you've already
7 answer this in response to somebody else's question.
8 Have you calculated an estimate of total revenue
9 impact that these changes would have for AT&T?

10 A I have not, no.

11 ADMINISTRATIVE LAW JUDGE HILLIARD: That's all
12 I have.

13 THE WITNESS: Thank you.

14 ADMINISTRATIVE LAW JUDGE HILLIARD: Any further
15 redirect?

16 MS. SODERNA: Yes. Can I have a minute to
17 confer.

18 ADMINISTRATIVE LAW JUDGE HILLIARD: Yes.

19 (Whereupon, a brief
20 recess was taken.)

21 [!EZ SPEAKER 08]: Ms. Satter, for the record,
22 with all those exhibits, are you doing that manually

1 or are you doing it electronically?

2 MS. SATTER : I would prefer to do -- when you
3 say manually, provide --

4 ADMINISTRATIVE LAW JUDGE HILLIARD: Paper
5 copies.

6 MS. SATTER : I would prefer to do a paper
7 copy.

8 ADMINISTRATIVE LAW JUDGE HILLIARD: All right.
9 You need to do -- make sure do as many -- they want,
10 I think, three copies.

11 MS. SATTER : Okay. Three copies, and that
12 will proprietary and nonproprietary.

13 ADMINISTRATIVE LAW JUDGE HILLIARD: Right.

14 [!EZ SPEAKER 01]: And do I give it to the
15 court reporter.

16 [!EZ SPEAKER 08]: No. Just -- I would mark
17 them and give them to the clerk. They need to be
18 marked though.

19 MS. SATTER : Excuse me?

20 ADMINISTRATIVE LAW JUDGE HILLIARD: They need
21 to be marked.

22 MS. SATTER : Okay.

1 ADMINISTRATIVE LAW JUDGE HILLIARD: You don't
2 have to do it tonight.

3 MS. SATTER : Maybe tomorrow.

4 ADMINISTRATIVE LAW JUDGE HILLIARD: Right.

5 MR. ANDERSON: I think in the corrected version
6 on Lines 177 through 183 of Mr. Wardin's rebuttal
7 testimony, 1.5, that testimony does not relate to the
8 updated information that Mr. Ward had a problem with.
9 And so in discussing it just now with Mr. Ward, it's
10 my understanding that he agrees that that testimony
11 should not be stricken.

12 [!EZ SPEAKER 03]: Mr. Anderson points out from
13 Line 177 to Line 183, the testimony of Mr. Wardin
14 refers to evidence in his record from the previous
15 hearing. So that one paragraph I would agree be put
16 back into his testimony. But there's a line -- a
17 sentence above that that says stricken and the
18 balance after that stays stricken. Correct?

19 MR. ANDERSON: That's my understanding.

20 [!EZ SPEAKER 03]: So it's Line 177 to 183, we
21 have no objection to remain in the record.

22 ADMINISTRATIVE LAW JUDGE HILLIARD: All right.

1 I made a note.

2 MR. ANDERSON: Thank you.

3 (Whereupon, a brief
4 recess was taken.)

5 MS. SODERNA: Okay. Thank you.

6 ADMINISTRATIVE LAW JUDGE HILLIARD: Go right
7 ahead.

8 REDIRECT EXAMINATION

9 BY

10 MS. SODERNA:

11 Q Ms. McKibbon, Ms. Satter asked you through
12 cross-examination about the increases to services in
13 the joint stipulation after the stipulation has
14 terminated in the fall of 2010. Can you clarify
15 which services are subject to the trigger mechanism
16 you described?

17 A Yeah. I think I had previously incorrectly
18 stated that the network access line will be subject
19 to the trigger mechanism, and it would not be.

20 Q Okay. And Ms. Satter also asked you about
21 various consumer Outreach efforts that CUB performs
22 on its daily course of business. Were there any

1 other efforts that you can describe?

2 A Yeah. Again, my glaring omission of our
3 Web site. CUB currently has a Web site that has for
4 the gas utilities what we call a gas market monitor
5 and it includes information on every gas price that
6 alternative gas suppliers have put out there in the
7 market and compares it to current gas prices in the
8 market. So the people can decide whether they got a
9 good deal or not.

10 Our Web site is a pretty strong tool
11 and we'd like to use it to get sort of a comparison
12 information out to consumers as well.

13 Q Okay. Ms. Satter also asked you about some
14 comments that Mr. Wardin made earlier on
15 cross-examination with regard to the potential
16 expected profits as a result of the joint
17 stipulation, and she asked if you were comfortable
18 with that. Can you expand on your response.

19 A Yes. The numbers that Mr. Wardin talked
20 about in his testimony took the joint stipulation
21 into account. We're very concerned that without the
22 joint stipulation, that increase in revenues for AT&T

1 would be significantly higher than it is with the
2 limits on price increases and price reductions that
3 the stipulation offers.

4 Q And that would be if AT&T prevailed in this
5 proceeding and all of their -- the services
6 classified as competitive stay competitive?

7 A Yes. Yes. And that's why the stipulation
8 provides significant customer benefits.

9 Q And in Mr. Selwyn's testimony he quantifies
10 the maximum profits of the -- as a result of the
11 joint stipulation in the near 300 million range; is
12 that right?

13 A Yes. He makes an estimate of the total
14 amount of the rate increase over the whole four
15 years.

16 Q And is it your understanding that his
17 quantification includes the \$1 for each network
18 access line even if it's a package that the service
19 is subject to?

20 MS. SATTER : I'm going to object that this is
21 beyond the scope of direct. I did not ask about
22 Dr. Selwyn.

1 [!EZ SPEAKER 07]: You did actually refer to
2 his as being the outlier --

3 MS. SATTER : The outside range.

4 MS. SODERNA: Outside of the range. And I just
5 want to clarify what number --

6 ADMINISTRATIVE LAW JUDGE HILLIARD: Overruled.
7 Go ahead.

8 BY [!EZ SPEAKER 07]:

9 Q What is your understanding of Mr. Selwyn's
10 calculation?

11 A To the extent that it includes an increase
12 in the network access line that would be rolled into
13 packages that's currently included in the packages, I
14 think that that amount should not be included in that
15 number.

16 ADMINISTRATIVE LAW JUDGE HILLIARD: Because
17 it's incorrect?

18 THE WITNESS: Yes.

19 BY [!EZ SPEAKER 07]:

20 Q Because the \$1 increase in the stipulation
21 only applies to network access line ala cart; is that
22 correct?

1 A That's correct, yeah.

2 Q And, finally, Ms. Satter asked you about
3 your conclusion that you expressed earlier, testimony
4 in the first phase of this proceeding and how they
5 compare to your conclusions in this phase of the
6 proceeding and whether you believe that the market is
7 currently competitive and whether anything has
8 changed.

9 And what do you -- can you please
10 expand on what your conclusions are with regard to
11 the joint proposal.

12 A Yes. Earlier I had talked about, you know,
13 this proposal provides benefits compared to what has
14 happened in other states, for example. But we also
15 think -- I mean it's just -- it's a reasonable
16 compromise that provides absolute benefit for
17 customers. There are a lot of customers that are
18 currently taking services that they don't understand
19 or want. And there are a lot of customers that are
20 on packages that are the incorrect package for their
21 personal calling patterns.

22 We have an opportunity here to guide

1 them to a better package that's more economical for
2 them. In addition, it provides signature safe
3 harbors in the event of access line increases and
4 limits on access line increases, limits on the usage
5 increases. And we believe that -- I believe that
6 customers would benefit from this stipulation. From
7 this stipulation.

8 MS. SODERNA: That's all I have. Thank you.

9 ADMINISTRATIVE LAW JUDGE HILLIARD: Recross?

10 MS. SATTER : Yes.

11 RE CROSS-EXAMINATION

12 BY

13 MS. SATTER:

14 Q Ms. McKibbon, you corrected your testimony
15 with regard to the trigger.

16 A Right.

17 Q You said that it only applies to the three
18 Safe Harbor package; is that right?

19 A I believe so, yes.

20 Q So it doesn't apply to anything except the
21 three Safe Harbor packages?

22 A Yes.

1 Q And those three Safe Harbor packages can be
2 withdrawn at the end of the joint proposal period;
3 correct?

4 A That, I believe, the stipulation addresses
5 that.

6 Q Would you care to look at Page 4,
7 Paragraph 8.

8 And would you agree with me that that
9 paragraph provides that AT&T can withdraw any service
10 offering in Paragraph 2, which lists the Safe Harbor
11 packages, provided it gives 45 days notice to the
12 Commission, CUB and effected customers --

13 A Yes.

14 Q -- grandfathers?

15 A Yes.

16 Q So those packages can go away?

17 A Yes, they could. At the end of the
18 four-year period.

19 Q So if they did the trigger, it would apply
20 to nothing?

21 A That's true.

22 Q Now are you -- you mentioned the CUB Web

1 site as the source of information for consumers.

2 A Yes.

3 Q And that's currently funded through CUB's
4 current revenues?

5 A Yes, it is.

6 Q And if you had this settlement then the
7 money from Illinois Bell Company would fund the Web
8 site?

9 A We haven't made any specific plans. There
10 could be an expansion of a Web site or completely
11 different Web site. But, like I say, we haven't made
12 any specific allocations of that money.

13 Q Okay. You said the benefit of the proposal
14 is that CUB can assist customers in making the right
15 decisions; right?

16 A One of the benefits is a customer education
17 campaign, yes, which we think would be successful.

18 Q And you would agree that if there were
19 sufficient customer information available from the
20 competitors and Illinois Bell, your role would not be
21 needed under the joint proposal?

22 A Yes, but we don't believe that that's

1 currently true.

2 Q Okay. And that's another indication of the
3 lack of competition; isn't it?

4 A It could be an indication of many things.

5 Q But it's also an indication of lack of an
6 effective competitive market?

7 A You know, it could be. I think tires are
8 an effective competitive market, but I don't always
9 find information on tires as well as. So it's
10 certainly one indication.

11 Q So then you don't think that there's
12 anything different about the telecommunications
13 information -- about the information concerning
14 telecommunications that's available relative to other
15 competitive markets?

16 [!EZ SPEAKER 07]: I'm going to object. This
17 goes beyond the redirect. She only spoke about the
18 Web site and referenced it to the consumer Outreach
19 efforts.

20 [!EZ SPEAKER 01]: Well, she said it was other
21 benefit of the settlement.

22 ADMINISTRATIVE LAW JUDGE HILLIARD: Overruled.

1 THE WITNESS: I'm sorry, could you repeat the
2 question.

3 BY [!EZ SPEAKER 01]:

4 Q Basically what you're saying is that
5 information available to consumers for
6 telecommunications is no different from the
7 information available to consumers for tires?

8 A Offhand, I don't -- I don't immediately see
9 a difference. It's information regarding rates, the
10 different types of service for tires that can be
11 available and from whom they're available.

12 Q So you don't see a utility service as
13 having any different characteristics than something
14 like a one-time purchase of a tire?

15 A I think it has many, many different
16 characteristics.

17 Q Okay. And that's what justifies the need
18 for your customer education fund?

19 A The lack of current information justifies
20 the current education fund.

21 Q The other benefit of the joint proposal is
22 limits on increases. And you agree that limits on

1 increases would not be necessary if competition
2 existed to provide that limitation?

3 A If competition were providing that
4 limitation in the prices currently exist, correct.

5 Q And, finally, you commented on Dr. Selwyn's
6 testimony that he added \$1 to the packages price, and
7 you thought that was an inappropriate calculation; is
8 that right?

9 A To the extent that the network access lines
10 included in the package and Dr. Selwyn's upper limit
11 of revenue increases, increased the package by a
12 dollar to -- if the network access line increased by
13 a dollar, yes, I think that should make it clear.

14 Q You think the \$1 should be?

15 A Should not.

16 Q The should not be included.

17 But there's no limitation on the
18 increased to packages; right?

19 A Correct.

20 Q So it could be a \$2 increase for packages.
21 Could be? Could be, would you agree?

22 A There's no limitation on the increases to

1 packages that are deemed competitive that are outside
2 the Safe Harbor packages.

3 Q So it could be \$2?

4 A Yeah.

5 Q It could be \$5.

6 ADMINISTRATIVE LAW JUDGE HILLIARD: It could be
7 10.

8 [!EZ SPEAKER 01]: Yes. It could be a hundred.

9 BY [!EZ SPEAKER 01]:

10 Q You also referenced other states. You
11 would agree that whatever other states did that was
12 based on the record presented to the Commission that
13 made the decision in that case; right?

14 A Yes.

15 Q And, of course, you would agree that the
16 Commission here should make a decision based on the
17 record in this case?

18 A Yes.

19 MS. SATTER : I have no further questions.

20 MS. SODERNA: One point of clarification.

21 ADMINISTRATIVE LAW JUDGE HILLIARD: All right.

22 I have a question.

1 [!EZ SPEAKER 03]: So do I.

2 ADMINISTRATIVE LAW JUDGE HILLIARD: Go ahead.

3 RECROSS-EXAMINATION

4 BY

5 MR. WARD:

6 Q Ms. McKibbin, you indicated that you felt
7 this was a reasonable compromise?

8 A Yes.

9 Q Has CUB proposed that the Commission adopt
10 a standard other than the standard that the Public
11 Utilities have for classification?

12 A No, I'm not. I believe this proposal
13 address Factor Five, the other factors that effect
14 the public interest.

15 Q Is it your -- is it CUB's proposal that the
16 Commission need not apply the other four minimum
17 factors in that same section?

18 A No, that's not my position.

19 Q You don't propose the Commission compromise
20 the other factors in the statute?

21 A I'm proposing that the Commission must
22 weigh those -- must take the -- all the factors into

1 consideration, including other factors that effect
2 the public interests of which I believe the
3 stipulation is one.

4 Q Just one last question. Can you be a
5 little clearer what is that you're proposing should
6 be compromised.

7 If all the factors in the statute are
8 to be applied, the Commission makes that
9 determination whether it's competitive or not, what
10 would be compromised after that determination has
11 been made?

12 A If the Commission -- sorry.

13 Q Do you understand the question?

14 A I believe so. Could you repeat it.

15 Q You want me to repeat it?

16 A Yeah.

17 Q If the Commission -- there are five
18 minimums requirements of consideration I believe the
19 statute says the Commission is to determine whether
20 service is classified competitive. Public interest
21 as well as other factors effecting competition is
22 number five.

1 A Uh-huh.

2 Q And then there are four that precede that.
3 If the Commission used the statutory standard and
4 makes its determination as what the proper
5 classification is having applied the statute because,
6 as I understand your answer, you're not suggesting
7 the Commission compromise the statutory criteria.

8 A Correct.

9 Q If the Commission then applies the five
10 minimum considerations, makes a determination as to
11 classification, what is it CUB is proposing should be
12 compromised at that point?

13 A If the Commission applies the five factors
14 and including the number five stipulation and
15 determines that there is no competition, then that
16 should be the Commission's decision.

17 [!EZ SPEAKER 03]: No further questions.

18 ADMINISTRATIVE LAW JUDGE HILLIARD: Do you have
19 redirect, re-redirect?

20 [!EZ SPEAKER 07]: One real quick one.

21

22

1 REDIRECT EXAMINATION

2 BY

3 MS. SODERNA:

4 Q Ms. McKibbin, Ms. Satter asked you about
5 whether in the event of the end of this period of
6 stipulation AT&T were to withdraw the packages
7 referenced in the stipulation, that it would -- AT&T
8 would provide notice to the Commission. Is it your
9 understanding that the Commission would then have the
10 opportunity to investigate that withdrawal of
11 service?

12 A Yes, just as well to investigate the
13 withdrawal of service.

14 [!EZ SPEAKER 07]: Thank you.

15 ADMINISTRATIVE LAW JUDGE HILLIARD: You're
16 excused.

17 We're done for the day.

18 (Whereupon, further proceedings
19 in the above-entitled matter
20 was continued to June 6th,
21 2006, at 11:00 a.m.)
22